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# Snapshot: Regulatory and Program Overview - NOx Budget Trading Program

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# NOx SIP Call - What does it do?

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- ◆ Required 22 States & DC to submit SIPs providing NOx emission reductions to mitigate ozone transport in eastern U.S
- ◆ Assigns a total NOx emissions “budget” for each identified State
- ◆ Permits States to choose what NOx measures to adopt to meet the State-wide emission budget
- ◆ EPA has encouraged the use of an emissions trading program to achieve reductions from large electric generating units and industrial boilers



## What does Section 126 of the Clean Air Act Do?

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- ◆ Authorizes a downwind State, or political subdivision thereof, to petition EPA for a finding that emissions from any major stationary source, or group of stationary sources, in an upwind State contribute significantly to nonattainment, or interfere with maintenance, of a national ambient air quality standard in the petitioning State



## What does Section 126 of the Clean Air Act Do?

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- ◆ Source receiving a section 126 finding must shut down after 3 months or comply with emissions limits and compliance schedules set by EPA
- ◆ Compliance date must be no later than 3 years from finding



## Relationship Between the NOx SIP Call and the Section 126 Rule

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- ◆ The section 126 and the State rules under the NOx SIP call are based on a nearly identical trading program
- ◆ Provisions of the trading program include: applicability and exemptions, permits, allocations, trading procedures, banking, monitoring, reconciliation, opt-ins, penalty offsets for excess emissions
- ◆ Both 126 and the NOx SIP Call require compliance with Part 75 monitoring



## Relationship Between the NO<sub>x</sub> SIP Call and the Section 126 Rule

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- ◆ Both programs
  - Build on lessons learned from acid rain SO<sub>2</sub> and OTC NO<sub>x</sub> allowance trading
  - Set goals and control requirements in terms of allowable emissions
  - Reduce and cap total emissions
  - Require measurement and reporting of all emissions



## Part 75 and Subpart H

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- ◆ Part 75 is the emissions monitoring rule
- ◆ Subpart H of Part 75 addresses NO<sub>x</sub> mass emissions provisions
  - Your road map to compliance
  - Lays out monitoring options, certification procedures, quality assurance, missing data procedures, reporting and recordkeeping requirements
  - Refers to other sections of Part 75 for detail



## Monitoring Overview

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- ◆ Sources monitor according to Part 75 Subpart H as required under Parts 96 and 97
- ◆ Monitoring NO<sub>x</sub> and heat input for the purpose of calculating NO<sub>x</sub> mass emissions (§ 75.71)
- ◆ Year-round and ozone season-only monitoring and reporting allowed (§75.74)
  - Year-round basis: Acid Rain and section 126 units
  - Ozone-season only basis: non-Acid Rain units, if state SIP permits





## Source Summary

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- ◆ Most EGUs already have certified Part 75 compliant monitoring systems under Acid Rain or OTC NO<sub>x</sub> Budget
  - These units can report NO<sub>x</sub> mass using existing monitoring systems
- ◆ Non-EGUs will need to install and certify Part 75 compliant monitoring systems for NO<sub>x</sub> mass and heat input
- ◆ All OTC budget sources will need to report using EDR version 2.1



## Getting New Sources Certified

- ◆ Tasks necessary for new source certification
  - Procure monitoring systems
  - Submit monitoring plan
  - Certify monitoring systems
  - Report in EDR version 2.1 on year-round basis or during ozone season only, as applicable



## Deadlines

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- ◆ Monitoring plan is due 45 days prior to the initial certification date (electronic to CAMD, hardcopy to State/Region)
  - Often need 2-3 rounds of review to ensure a complete and accurate plan
  - Some MP problems may not be “caught” until certification
  - MP itself not subject to approval as in OTC NOx Budget Program



# Deadlines

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- ◆ Certification Test Protocol
  - Required as part of the hardcopy monitoring plan (at least 45 days prior to initial certification testing)
  - Submitted to State and Region



## Deadlines

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- ◆ Certification Test Notice (send to CAMD, Region and State)
  - 45 days prior to initial certification testing
- ◆ Certification Application (electronic to CAMD, hardcopy to State/Region)
  - Required  $\leq$  45 days after certification testing is complete
  - Certification application review (CAMD under 126, State and Region under SIP)
    - » Within 120 days of receipt of application



## SIP Deadlines

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- ◆ Reporting of data using EDR version 2.1
  - Second Quarter of 2000 or 2001 for Early Reduction Credits (ERCs), depending on state
  - Second Quarter of 2002 for affected units in the OTC; 2003 for all affected units
  - 90 days after commercial operation for new EGU units
  - 180 days after commencement of operation for new non-EGUs



## Which States Have a SIP Compliance Date of May 1, 2003?

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- ◆ Connecticut
- ◆ Massachusetts
- ◆ Rhode Island
- ◆ New Jersey
- ◆ New York
- ◆ Delaware
- ◆ Maryland
- ◆ Pennsylvania
- ◆ District of Columbia



## Which States Have a SIP Compliance Date of May 31, 2004?

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- ◆ Alabama
- ◆ South Carolina
- ◆ Tennessee
- ◆ Illinois
- ◆ Kentucky
- ◆ North Carolina
- ◆ Ohio
- ◆ Virginia
- ◆ West Virginia
- ◆ Indiana
- ◆ Michigan





## Why a Trading Program?

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- ◆ Emissions trading is a flexible, proven, and cost-effective method to achieve emission reductions
  - 30% cost savings projected over command and control
  - Sources have flexibility: install controls, increase efficiency, shift generation to cleaner units, or purchase allowances



## Why a Trading Program? (cont.)

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- ◆ Achieves over 90% of required reductions while retaining requirements to protect local air quality
- ◆ Establishes automatic penalties and offsets to assure compliance
- ◆ Satisfies SIP approvability criteria:
  - Timing requirements
  - Mass emissions limit and monitoring requirements for large combustion sources
- ◆ Requires minimal resources to administer



## How is Trading Compatible with SIP Call and Budgets?

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- ◆ NO<sub>x</sub> Budget Trading Program allows unrestricted trading across all jurisdictions participating in the program
- ◆ State will meet its budget provided that sources in the trading program measure their emissions and hold sufficient allowances to cover them
- ◆ Analyses suggest that net effect of all trades will not result in significant emissions shifting
  - Permit limitation option available



# Account Certificate of Representation

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- ◆ Use this EPA form to designate Authorized Account Representative (AAR) [and alternate]
  - Individual who is responsible for all NBP submissions
  - Authorized by agreement between all owners/operators
  - See Forms in handouts for copy of Certificate of Representation
- ◆ Submit one AAR form per plant
  - Identifies all units
  - Identifies owners and operators of each unit
  - OTC sources do not need to submit new AAR form because programs are essentially the same
  - Acid Rain sources DO need to submit AAR for NBP
    - » Keep ORIS code and unit Ids exactly the same



## Who must have a NO<sub>x</sub> Budget Permit?

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- ◆ Any source subject to the trading program that is required to have a federally enforceable permit (e.g., Title V permit)
- ◆ Units that opt-in
- ◆ If no federally enforceable permit is required, source is still subject, but no NO<sub>x</sub> budget permit is required (regulation is enforcement mechanism)



## The 25 Ton Exemption

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- ◆ A unit may apply for an exemption if it:
  - Only burns natural gas or oil during the control period
  - Limits NO<sub>x</sub> mass emissions to 25 tons or less for the control period
- ◆ If the unit emits more than 25 tons in any year, the exemption is lost and the unit is subject to the program



# Retired Unit Exemption

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- ◆ Must be permanently retired
- ◆ Must submit statement to permitting authority and EPA within 30 days of retirement
  - Format determined by permitting authority
  - EPA has optional format - see Forms in handouts



# NO<sub>x</sub> Budget Permit Application

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- ◆ Permit application is submitted to permitting authority
  - EPA providing permitting authority with optional format - see Forms in handouts
- ◆ Deadline: 18 months (*or such lesser time provided by the permitting authority*) before May 1, 2003
  - Means between Nov. 1, 2001 and April 30, 2003 (at discretion of permitting authority)





# Permit Application Contents

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- ◆ Identification information (plant name, ORIS, or facility code)
- ◆ List of all units at the source
- ◆ Standard requirements including holding allowances to cover emissions, monitoring properly under Subpart H, and applying for and receiving a NO<sub>x</sub> Budget permit



# Permit Content

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- ◆ Permit includes the contents of the permit application
- ◆ Automatically includes
  - All the definitions in the NO<sub>x</sub> Budget Program rule
  - All NO<sub>x</sub> allowance allocations, transfers, and deductions



# Clean Air Markets Website

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- ◆ [www.epa.gov/airmarkets](http://www.epa.gov/airmarkets)

